

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 NEA-10 ISO-00 SP-02 USIA-15

AID-05 NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04

OPIC-06 LAB-04 SIL-01 PA-02 PRS-01 H-02 L-03

/124 W

-----006623 230218Z /70

R 221425Z AUG 77

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 6270

INFO AMEMBASSY BRASILIA

AMEMBASSY BOGOTA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY KUWAIT

AMEMBASSY MADRID

AMEMBASSY SANTIAGO

AMEMBASSY TRIPOLI

UNCLAS LIMA 7120

EO 11652: N/A

TAGS: ECON, EFIN, EALR, PE

SUBJ: GOP REMOVES LEGAL IMPEDIMENTS TO ARAB-LATIN AMERICAN BANK

REF: LIMA 5713

1. BY ENACTING DECREE LAW NO. 21915 (8/16/77) THE PERUVIAN GOVERNMENT AUTHORIZED MULTINATIONAL BANKS ESTABLISHED IN PERU WITH FOREIGN CAPITAL TO CONDUCT ALL MANNER OF BANKING OPERATIONS, DOMESTIC AND FOREIGN. THE DECREE LAW WAS CLEARLY MEANT TO REMOVE THE LEGAL RESTRICTIONS THAT WOULD HAVE HAMPERED THE OPERATION OF THE ARAB-LATIN AMERICAN BANK AND THIS INTENT WAS ACKNOWLEDGED IN AN AUGUST 17 PRESS INTERVIEW GIVEN BY BANCO POPULAR PRESIDENT JOSE LUIS BROUSSET. HE TOUTED THE LOCATION OF THE ARAB-LATIN AMERICAN BANK IN LIMA AS AN INDICATION OF THE INTERNATIONAL UNCLASSIFIED

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CONFIDENCE IN PERU WHICH EXISTS PRESENTLY. ISSUANCE OF THE DECREE LAW CAME SHORTLY AFTER THE VISIT OF SALEM ZANATY (LIBYA), HISHAM RAZZUGI (KUWAIT), AND RODOLFO LANUS DE LA SERNA (ARGENTINA), WHO ARRIVED HERE EARLY THIS MONTH TO WORK OUT FINAL DETAILS OF THE BANK'S ESTABLISHMENT.

2. THE DECREE LAW PROVIDES THAT MULTINATIONAL BANKS MUST HAVE

A MINIMUM SUBSCRIBED CAPITAL OF \$50 MILLION WITH PAID CAPITAL OF NO LESS THAN 25 PER CENT AND AN ADDITIONAL 25 PER CENT TO BE PAID WITHIN TWELVE MONTHS. AT LEAST 80 PER CENT OF THE CAPITAL MUST CONSIST OF NON-PERUVIAN RESOURCES. BANKS ESTABLISHED UNDER THIS DECREE LAW ARE TO BE CONSIDERED FOREIGN AS ARE INVESTMENTS AND CREDIT EFFECTED IN FOREIGN INVESTMENT IN BANKING IS PROHIBITED UNDER ARTICLE 42 OF DECISION 24 (COMMON REGIME OF TREATMENT OF FOREIGN CAPITAL, ETC.) OF THE ANDEAN PACT COMMISSION. HOWEVER, IN INCORPORATING DECISION 24 INTO NATIONAL LAW PERU INVOKED THE ESCAPE CLAUSE IN ARTICLE 44 WHICH PROVIDES THAT IN SPECIAL CIRCUMSTANCES MEMBER COUNTRIES MAY APPLY DIFFERENT REGULATIONS THAN THOSE CONTAINED IN DECISION 24 WHICH GENERALLY SEEKS TO DISCOURAGE FOREIGN INVESTMENT IN A VARIETY OF PUBLIC SERVICES.

4. LOCAL U.S. BANKING SOURCES EXPECT THE NEW DECREE LAW TO HAVE LITTLE OR NO EFFECT ON THEIR OPERATIONS IN PERU.
SHLAUDEMAM

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